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NSC BRIEFING

16 JANUARY 1956

6TH "FIVE YEAR PLAN"

- I. Over the weekend, we have received the full text of the USSR's next "Five Year Plan," covering the years from 1956 through 1960. Although, formally, these "draft directives" will be "presented" to the 20th Congress of the Communist Party for "adoption" in mid-Feb, they actually represent the master blueprints by which the Soviet economy is already operating.
- A. Continuing the Soviet emphasis on expansion of heavy industry, this new "Five Year Plan"--upon fulfillment in 1960--will bring Soviet industrial production up to something more than one-third the level the US is expected to reach by then (Chart I).
- B. USSR's industrial output today is a little better than one-fourth of US 9up substantially from 1951, when it was about one-fifth), and our experts see no reason why industrial gains projected for next "Five Year Plan" cannot be achieved.
- C. Comparison with US production figures is evidently on Soviet planners' minds: new program states "main economic task of USSR (is) to overtake and surpass the most developed capitalist countries as regards per capita production."
- II. Freshest note in new "Five Year Plan" is plug for development nuclear power, other "peaceful" applications atomic energy.

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- A. Plan calls for power stations with total capacity between 2 and 2½ million KW, with first priority for location being given to regions poor in fuel resources.
- B. Also plan to build atomic engines and, specifically, an atomic-powered ship.
- C. Remainder of "peaceful" atomic program is more commonplace: increased use of radiation in medicine, agriculture and industrial research.

III. New "Plan" represents substantial jump over Stalin's former goals--targets for 1960 are above those set by Stalin for attainment between '60 and '65 (Chart II).

- A. Compared with just-completed 5th "Five Year Plan," growth of "energy" (i.e., fuels, electric power) sector of Soviet economy will continue at same rate, while growth of the "heavy industry" sector will be somewhat reduced (up 76%, compared to 91% in '51-'55).
- B. However, heavy industry will get 67% more investment funds in new plan than in '51-'55, for a total of _____ billion rubles (\$ _____).
- C. New investment will be put into improved new/^{machinery}and large-scale plant modernization, with hope of raising labor productivity.
- D. Emphasis on increased productivity (in face tightening manpower supply) also shown by reduction in planned growth of labor force (up only 6.5 million, compared to 7.8 million in '51-'55).

- IV. Continued emphasis on industrial growth means that next five years will see improved Soviet military potential but only gradual rise in living standards. "Consumer's sector" of economy (agriculture, light industry) is slated for only modest gains.
- A. In agriculture, plan looks to already-established "new lands" scheme and expanded corn production, as well as entirely new efforts in mechanization, fertilization and management, to achieve scheduled increases.
 - B. In light of disappointing results to date from land expansion and corn programs, we feel that 1960 agricultural targets are unrealistic.
 - C. Any lag in achieving agricultural goals will also hit such part of light industry as packaged food products--planners admit this has been case in past.
 - D. However, planned increases in cotton and woolen textiles (23% and 45%) should be fulfilled, and the high targets set for such luxury items as washing-machines will also probably be met.
- V. Other elements in plan which will bring no cheers from shabby Soviet consumers are also attributable to new plan's large increase in total investment (990 billion rubles, up ___% over '51-55), which automatically slows growth of consumption.

- A. New plan calls for only 50% increase in retail trade, compared with 90% during '51-'55.
- B. "Real income" increases for State employees, up nearly 40% in '51-'55, will go up only 30% in '56-'60.
- C. Collective farmers are comparatively better off, but also get squeezed (a planned "real income" increase of 40% under new plan, compared with a 50% hike in '51-'55).
- D. Brightest spot for consumers is plan's intent to double amount of housebuilding done in '51-'55, for a total of over 200 million square yards of floorspace.

VI. Continuing Soviet emphasis on improved education (another key to increased labor productivity) is also evident in new plan.

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6TH "FIVE YEAR PLAN"

USSR has just published a remarkably full text of its next "Five Year Plan" ('56-'60).

On paper, these "draft directives" still have to be "adopted" by the 20th Party Congress (meeting 14 Feb), but actually they represent the master plan by which the Soviet economy is already operating.

- A. Plan continues Soviet emphasis on expansion heavy industry. We expect that industrial part of plan will be fulfilled by 1960--and will raise Soviet industrial production to about two-fifths that of the US (Chart I).
- B. USSR's industrial output in '51 was about one-fifth of US, and now is somewhat over one-fourth of US. However, noteworthy that Soviet rise is not closing "absolute" gap between two coun-

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C. Contrast with US output evidently on Soviet planners' minds: new program states "main economic task of USSR (is) to overtake and surpass the most developed capitalist countries as regards per capita production."

II. Notable that new "Five Year Plan" calls for substantial development of nuclear power-plants, as well as other "peaceful" applications atomic energy.

A. Very ambitious Soviet program for construction nuclear power stations, with total capacity between 2 and 2 1/2 million KW, will--in opinion our experts--require very high-priority effort to achieve. As comparison, UK power program (Free World's most ambitious) has 1964 goal of maximum two million KW, and US program envisions 800,000 KW by 1960.

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B. USSR also plans to build atomic engines and, specifically, an atomic-powered ice-breaker.

C. Remainder of "peaceful" atomic program is more commonplace: increased use of isotopes in medicine, agriculture and industrial research.

III. New "Five Year Plan" targets for 1960 are above those generally set by Stalin in '46 for attainment between '60 and '65 (Chart II).

A. Compared with just-completed 5th "Five Year Plan," growth of "energy" (i.e., fuels, electric power portion of "heavy industry sector" of Soviet economy will continue at same rate, although growth of "heavy industry sector" as a whole will be somewhat reduced (rise of 70%, compared to 91% in '51- '55).

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- B. In light of budget figures for '56, evident that largest share of increased "investment" funds in new plan will go to heavy industry. Total 5 year investment for entire economy is 990 billion rubles, i.e.: US \$120 billion, a rise of 67% from '51-'55.
- C. Much of industry's share of new funds will be spent on improved new machinery large-scale plant modernization, in hopes of raising Soviet productivity.
- D. Emphasis on increased productivity (necessitated by USSR's tightening manpower supply) also shown by reduction in planned growth of labor force (up only 6.5 million, compared to 7.8 million in '51-'55).

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IV. Continued priority for industrial growth means that next five years will see improved Soviet military potential but only gradual rise in living standards. Soviet statistics indicate a planned slow-down in "real income" increases, while the "consumer's sector" of economy (agriculture, light industry) appears due for no more than modest gains.

A. New "Plan" is not as detailed on agricultural schemes as on industry--Soviets are "sensitive" about such "sectors" of national economy in which they are not doing well.

B. In general, however, plan will attempt to digest the great gulps of new acreage swallowed during "new lands" and corn programs of 1954-56. New efforts are also planned to achieve mechanization of most basic agricultural processes--example: combines being empha-

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sized to speed harvest, cut high harvesting losses.

C. Further shifts of Party workers to countryside, planned expansion of State Farms, and new responsibilities for machine tractor stations also indicate increased political control over the laggard collectives.

V. A. Agricultural goals for 1956-'60 are ambitious: meat production is to be increased 100% (from 4 million metric tons in '55 to 8 million in '60), and grain is to go up 50% (from '55's 90 million metric tons to 135 million in '60).

B. However, on basis past performance and in light of disappointing results to date from both land expansion and corn programs, we feel Soviets will miss these goals by substantial margins.

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- C. Any lag in agriculture will also hit such parts of light industry as food processing--as Soviet planners now admit has been case in past.
- D. Planned gains in widely-needed consumer goods--like textiles and shoes--are rather modest: only big increases will be luxury items, like washing machines, which still will be available only to favored few in 1960.
- E. Brightest spot for consumers is plan to build double the amount of urban housing that was built in '51-'55. Planned total of over 200 million square yards of new floorspace, if sliced up among whole population, would raise average individual's space from 5 sq.yds. to 6 (about half the size of a 9x12 rug).
- VI. Continuing Soviet emphasis on improved (another key to increased labor

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productivity) is also significantly underlined in new plan.

A. Minimum of 10-year course of education will be virtually universal by 1960-- this is fully as important to future industrial growth as high rate of investment, especially in view of increasing emphasis on polytechnical, rather than general, training at secondary level.

B. In training of specialists--i.e., graduates of colleges and specialized secondary schools, ranging from electricians to agronomists and surgeons--where Soviets are already quite advanced, pace is to accelerate further. Increase is 50% in new plans against only 30-35% in '51-55. Heavy industry, construction

and transport continue to be favored in distribution of specialists. Agriculture, which got priority in this field in 1954 retains it in the new plan.

VII. Industrial growth, technological advance means that next five years will see improvement in Soviet weapons technology.

A. For example, plan calls for tripling or quadrupling output of electronics (including automatic regulating instruments and radio measuring instruments).

B. In field of special heat-resistant alloys, where Soviets have done much fundamental research and reached level of technology comparable to our own, new "Five Year Plan" calls for sixfold increase in production.

C. Advances in these fields could go a long way toward breaking major economic bottlenecks in Soviet guided missile program.